

Message Text

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PAGE 01 BUENOS 07252 041548Z

53

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C O N F I D E N T I A L BUENOS AIRES 7252

E.O. 11652: GDS

TAGS: PINT, AR

SUBJECT: SCANDALS NOW MAJOR POLITICAL ISSUE

REF: (A) BA 7229; (B) BA 7078; (C) BA 6313; (D) BA 6454

1. SUMMARY. THE SCANDALS SURROUNDING MRS. PERON AND HER CLOSEST ADVISERS HAVE HOVERED OVER POLITICAL SCENE LIKE IMPENDING STORM. THIS WEEK THE STORM HAS BROKEN AND ITS FORCE THREATENS HER TENURE AND THAT OF HER INNER CIRCLE. NEW REVELATIONS OF LARGE-SCALE GRAFT AT HIGHEST LEVELS OF GOA AND DEMANDS FOR INVESTIGATIONS BY OPPOSITION PARTIES AND ANTI-VERTICALISTA OPPONENTS GROW DAILY IN INTENSITY. ISSUE OF CONTAINING SCANDAL BECOMING EVER MORE DIFFICULT FOR MRS. PERON TO FINESSE AND TALK OF POSSIBLE IMPEACHMENT NOW OPENLY DISCUSSED ON FRONT PAGES OF MAJOR NEWSPAPERS. END SUMMARY.

2. DURING THE PAST FEW WEEKS THE SCANDAL SURROUNDING MRS. PERON'S ISSUANCE OF A CHECK AGAINST THE ACCOUNT OF THE CRUZADA JUSTICIALISTA TO SETTLE HER LATE HUSBAND'S ESTATE, PLUS MORE RECENT CHARGES THAT CRUZADA JUSTICIALISTA INVOLVED IN MAJOR MUNICIPAL LAND SCANDAL (SEE REFTELS), HAVE BEDEVILED HER EFFORTS AND THOSE OF CLOSEST ADVISERS TO RE-ESTABLISH IMAGE OF PRESIDENTIAL AUTHORITY AND PROBITY. IN PAST FEW DAYS LIST OF CORRUPT ACITIVITIES OF WHICH SHE AND HER COTERIE ARE ALLEGEDLY GUILTY HAVE PROLIFERATED. AT SAME TIME, IN ADDITION TO CONGRESSION-
CONFIDENTIAL

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PAGE 02 BUENOS 07252 041548Z

COMMITTEE SET UP BY CHAMBER OF DEPUTIES TO INVESTIGATE WELFARE

MINISTRY AND CHECK ISSUE, JUDICIAL INVESTIGATIONS ARE GOING FORWARD ON OTHER CHARGES NEWLY BROUGHT TO LIGHT, AND GOA AGENCY SIMILAR TO U.S. GENERAL ACCOUNTING OFFICE IS ALSO INVESTIGATING NEW CHARGES. FACED WITH THIS BURST OF INVESTIGATIVE ZEAL AND GROWING PUBLIC DEMANDS FOR ACTION, ADMINISTRATION HAS SHOWN SIGNS THAT IT WILL USE ITS POWERS TO TURN OFF INVESTIGATIONS. FEARING THIS, OPPOSITION PARTIES HAVE PUBLICLY DECLARED THAT ANY INTERFERENCE IN INVESTIGATING SCANDALS WILL LEAD TO IMMEDIATE INTRODUCTION OF IMPEACHMENT MOTIONS.

3. THE LATEST SCANDALS ARE: ALLEGATIONS THAT PEDRO ELADIO VAZQUEZ, UNTIL FRIDAY, OCTOBER 31, UNDERSECRETARY OF SPORTS AND TOURISM, FUNNELED LARGE SUMS OF MONEY FROM HIS OFFICE TO A TRANSPORTATION COMPANY OWNED BY HIM AND HIS FATHER; CHARGES THAT UP TO 3,000 CHECKS DRAWN AGAINST SOCIAL WELFARE MINISTRY, AND NOW SUBJECT OF SUBPOENA BY FEDERAL JUDGE, WERE USED TO ENRICH MRS. PERON, LOPEZ REGA, ET AL; ALLEGATIONS THAT MRS. PERON PERSONALLY SIGNED 30 CHECKS ON CRUZADA JUSTICIALISTA ACCOUNT TO PURCHASE JEWELRY; ALLEGATIONS THAT YPF OVERPAID BY SEVERAL MILLIONS OF DOLLARS FOR FOREIGN EQUIPMENT PURCHASES; CHARGES THAT SOCIAL WELFARE MINISTRY CONSTRUCTION CONTRACTS, INCLUDING CONTROVERSIAL ALTER DE LA PATRIA WERE FRAUDULENTLY AWARDED AND FUNDS DISTRIBUTED AMONG MEMBERS OF MRS. PERON'S INNER CIRCLES; AND, FINALLY, RESURRECTION OF INVESTIGATION INTO THE LONG-SUSPECT LIBYAN OIL DEAL WHICH WAS PULLED OFF BY LOPEZ REGA AND CELESTINO RODRIGO.

4. THE PRESS AND OPPOSITION PARTIES, PARTICULARLY UCR, HAVE PREDICTABLY HAD A FIELD DAY PARADING THESE ALLEGED INCIDENTS OF MISCONDUCT BEFORE THE PUBLIC. IT APPEARS THAT VERTICALISTAS IN CHAMBER FIRST APPROVED INVESTIGATING COMMITTEE THEY BELIEVED THEY COULD CONTROL TO HEAD OFF CRITICISMS OF A COVER-UP (REF B). WITH NEW CHARGES AND FACT INVESTIGATIONS PROCEEDING ON SEVERAL FRONTS, A WHITEWASH BECOMES DIFFICULT IF NOT IMPOSSIBLE. THIS FACT SEEMS TO BE GIVING MRS. PERON AND VERTICALISTAS IN CHAMBER CAUSE FOR SECOND THOUGHTS. THE POSSIBILITY THAT MRS. PERON DID NOT AGREE WITH TACTIC OF SETTING UP THE CONGRESSIONAL COMMITTEE CANNOT BE RULED OUT. ACCORDING TO SOME REPORTS, SHE HAD SHARP WORDS FOR CHAMBER PRESIDENT SANCHEZ TORANZO AT RECENT CABINET MEETING OVER THIS MATTER. IN ANY EVENT, LATE LAST WEEK
CONFIDENTIAL

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PAGE 03 BUENOS 07252 041548Z

"SOURCES" IN CASA ROSADA HINTED AT POSSIBILITY THAT MRS. PERON WOULD CITE DOCTRINE OF SEPARATION OF POWERS AS PRETEXT FOR QUASHING CONGRESSIONAL INVESTIGATION. THIS POSSIBILITY GAINED FORCE OVER WEEKEND WHEN INTERIOR MINISTER ROBLEDO DECLARED IN INTERVIEW WITH NEWSPAPER MAYORIA THAT INVESTIGATION BY CONGRESS WAS UNCONSTITUTIONAL AND A THREAT TO ARGENTINE REPUBLICAN SYSTEM OF GOVERNMENT.

5. TO SIGNAL ITS OWN TOTAL COMMITMENT TO INVESTIGATION, UCR HAS NAMED ITS FLOOR LEADER IN THE CHAMBER, ANTONIO TROCCOLI, AS ITS MEMBER ON THE INVESTIGATING COMMITTEE AND SEVERAL UCR SENATORS HEADED BY FORMER VICE PRESIDENTIAL CANDIDATE DE LA RUA HAVE PUBLICLY STATED THAT ATTEMPTS TO STOP INVESTIGATION WOULD LEAD TO IMMEDIATE MOVE FOR IMPEACHMENT. OPPOSITION HAS GOOD CAUSE FOR CONCERN OVER GOVERNMENT TACTICS, AS FIRST JUDGE TO CARRY FORTH INVESTIGATION IN SOCIAL WELFARE MINISTRY AREA WAS REMOVED FROM OFFICE UNDER RATHER STRANGE AND STILL UNEXPLAINED CIRCUMSTANCES. POSSIBILITY THAT ADMINISTRATION WOULD RATHER TAKE HEAT FOR OVERT COVER-UP RATHER THAN ALLOWING FURTHER CHARGES TO BE DOCUMENTED IS ONE OPPOSITION TAKES QUITE SERIOUSLY.

6. ONE OMINOUS NOTE IN GOVERNMENT'S ATTEMPT TO DEAL WITH SCANDAL IS MOST RECENT WAVE OF OFFICIAL CRITICISM OF PRESS AS TOOL OF SUBVERSIVE FORCES. FEW OBSERVERS BELIEVE IT COINCIDENCE THAT ROBLEDO IN MAYORIA INTERVIEW ADDRESSED BOTH ISSUES. AS BUENOS AIRES HERALD NOTED, THE ADMINISTRATION, FACED WITH ITS OWN EVER MORE SERIOUS PROBLEMS, SEEMS TO HAVE DECIDED TO MAKE PRESS ITS SCAPEGOAT.

7. IT IS NOT AT ALL CLEAR AT THIS POINT THAT MRS. PERON COULD INDEED BE IMPEACHED. HOWEVER, KEY UCR SOURCES HAVE TOLD EMBASSY THAT ANY EFFORTS TO STOP INVESTIGATIONS, PARTICULARLY THE CONGRESSIONAL ONES, WOULD LEAD TO "COMPLETE AND TOTAL BREAK WITH GOVERNMENT." ALSO, WITH HER POSITION EVER WEAKENING, IT WOULD NOT BE SURPRISING IF SOME ERSTWHILE VERTICALISTAS DECIDE TIME TO LEAVE SINKING SHIP HAS ARRIVED. FURTHER, ARMY COMMAND, WHICH MOST SENSITIVE TO MATTERS OF IMMORALITY WHERE THEY SEE SUCH CHARGES INTERFERING WITH COUNTER-TERRORIST CAMPAIGN, UNLIKELY TO STAND IDLY BY IF BLATANT WHITEWASH ATTEMPTED. COMMENTS BY ARMY OFFICERS AND CHAPLAINS ON MORALITY ISSUES SEEN BY MANY AS SIGNAL MILITARY WOULD NOT SUPPORT OR CONDONE A CONFIDENTIAL

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PAGE 04 BUENOS 07252 041548Z

COVER-UP.

8. OF DIRECT CONCERN TO U.S. IS REPORT BY SYMPATHETIC UCR LEADER THAT INVESTIGATORS BELIEVE INVESTIGATION OF CRUZADA JUSTICIALISTA WILL SHOW THAT U.S. AND OTHER MULTINATIONALS CONTRIBUTED LARGE SUMS TO THIS QUESTIONABLE ORGANIZATION. SOURCE STRESSED THAT HE COULD NOT CONFIRM REPORT BUT NOTED THAT, IF TRUE, POSSIBILITIES FOR EXPLOITATION BY GROUPS HOSTILE TO U.S. FIRMS ARE UNLIMITED.

9. COMMENT: FORCE WITH WHICH CORRUPTION ISSUE HAS EMERGED AS FACTOR ON NATIONAL SCENE HAS CAUGHT MANY OBSERVERS HERE BY SURPRISE. CLEARLY THIS GOVERNMENT NOT THE FIRST TO ENGAGE IN LARGE-SCALE CORRUPT PRACTICES. HOWEVER, RAPACIOUSNESS AND ARROGANCE WITH WHICH MRS. PERON'S COURT CIRCLE SWARMED IN ON

NATIONAL TREASURY IS WITHOUT PRECEDENT IN ARGENTINE HISTORY.
WHEN ADDED TO FACT THAT MANY WITHIN HER PARTY AND ALMOST ALL
OPPONENTS AGREE SHE IS NO LONGER FIT TO GOVERN, CORRUPTION
ISSUE WHICH CAN BE TAKEN TO THE PEOPLE IS BEING SEEN BY HER
OPPONENTS AS POSSIBLE VEHICLE WITH WHICH TO OUST HER.
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